The University of Chicago

ROUND TABLE

JUL -2 1940
WOMAN'S COLLEGE
UNIVERSITY OF NORTH CAROLINA

A RADIO DISCUSSION OF

AMERICA'S CAPACITY TO ARM

NEIL JACOBY · ROYAL F. MUNGER · ARTHUR PALMER

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ROUND TABLE

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NOTE

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AMERICA'S CAPACITY TO ARM*

A UNIVERSITY OF CHICAGO ROUND TABLE BROADCAST

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NEIL H. JACOBY, Assistant Professor of Finance, University of Chicago

ARTHUR J. PALMER, Assistant to the President, General Theatre Equipment Corporation

* A radio discussion broadcast from the University of Chicago over the Red ttwork of the National Broadcasting Company, Sunday, June 23, 1940, at go P.M., Central Daylight Saving Time.

The ROUND TABLE, oldest educational program continuously on the air, is oadcast entirely without a script. Subjects are chosen because of their social, litical, or economic significance. The program has no "ax to grind." In the lection of speakers, the effort is to provide a balanced discussion by partici- nts who have special competence and knowledge. The opinion of each speaker his own and in no way involves the responsibility of either the University of hicago or the National Broadcasting Company.

AMERICA'S CAPACITY TO ARM

MR. JACOBY: Today we are discussing America's No. 1 problem. I believe that people everywhere are thinking that this large armament program on which we are now embarked is going to mean sacrifices for them. It is going to mean no new car this year, or it may mean fewer beefsteaks this month; that we are going to have to sacrifice butter for cannon, as General Goering once put it.[1]

We are fortunate in having you, Colonel Munger, an officer of the Illinois National Guard, as well as a distinguished journalist; and you, Palmer, a manufacturer, some of whose plants are engaged in the manufacture of war equipment, here to discuss this question. There is a good deal of hysteria nowadays about this matter of armament. We want to discuss the issue calmly. Munger, how would you state the problem?

MR. MUNGER: Well, essentially the problem is one of timing. If we had all the time in the world we would need no preparation because if we ever needed an army we would have time to get it ready after hostility commenced. Timing brings us to the question of modern war tempo. Timing has sped up enormously.

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[1] *German Propaganda Minister Goebbels has been quoted recently to the effect that you can get butter with cannon, but you can't get cannon with butter.*

[2] *Colonel Munger was a volunteer in the Marine Corps during the World War and is now lieutenant-colonel in the 33rd Division, Illinois National Guard. Subsidiaries of Mr. Palmer's corporation are manufacturing airplane parts.*

MR. PALMER: We can well use the present "breathing spell" to formulate such a plan, can't we?

MR. MUNGER: We'll have to. It's dangerous not to.

MR. JACOBY: Don't you think that people are overemphasizing the matter of production of armaments; that is to say, of supplies rather than the matter of training of staff?

MR. MUNGER: We'll have to emphasize both. The average man doesn't realize just how far the speeding up has gone; just how rapidly it has changed. The speed of armies used to be fifteen miles a day for marching troops. That was a normal unit. That was the speed at which the Germans went through Belgium in 1914.[3]

MR. JACOBY: Incidentally, what were our armed forces doing in these recent maneuvers that were held in Louisiana and Texas?

MR. MUNGER: Principally training staffs and getting them used to the rapid tempo of modern war.

MR. PALMER: How long does it take to train privates and officers?

MR. MUNGER: A private, perhaps three months if you want to hurry; an officer, perhaps five, ten, twenty years, depending on how high you want to go. How long would you want to have a general trained if he was going to order your life into battle?

MR. PALMER: I would say it would take a good many years.

MR. JACOBY: That's a very grave thought. At least we must consider, then, when we talk about America's capacity to arm, not only the matter of converting industrial plants to the production of

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[3] *The Prussian siege of Paris began September 19, 1870, 62 days after the war started. In 1914 the farthest advance of the Germans toward Paris came 34 days after the start of the World War. In 1940 the Germans took Paris 35 days after the invasion of the Low Countries and 10 days after the conclusion of the Battle of Flanders.*

tanks, aircraft, etc., but the time that is necessary to train staffs so that we can get coordination when the army actually enters combat.

MR. MUNGER: And time, because we might be caught off-guard without the chance to finish our preparations. In Louisiana I joined the 6th Division for the maneuvers. They were running everybody through that they could to give us all as much staff training as possible. The 6th Division had come from Georgia. They had made that march of 600 miles in three days—200 miles a day. Compare that with the old snail-like columns of foot-slogging infantry.

MR. JACOBY: That's very impressive. Now, when we talk about the basic needs for rapid, as well as adequate, armament, it seems to me that we encounter four major factors. We have the problem of natural resources. Is there any "bottleneck" in this sphere? We have the question of industrial plant; we have the matter of man power; and, finally, that more intangible factor which we call "organization."

MR. PALMER: We have the coal, the copper, the corn, and the cotton. I understand that the United States produced perhaps 30 per cent of the coal, 34 per cent of the copper, 54 per cent of the corn, and 50 per cent of the cotton which was produced in the world in 1937. But the products whose supply will be curtailed are tungsten, manganese, potash, tin, and rubber.[4]

MR. JACOBY: Those deficiencies, however, are not crucial, are they?

MR. PALMER: I would say that rubber would certainly be, and no doubt tungsten and manganese if we got into a real rearmament program.

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[4] *See Appendix, page 24.*

MR. MUNGER: Essentially, on our problem of raw materials, remember that we have made 25,000,000 automobiles, and we have made them without any particular strain. If this thing is going to be a matter of life and death, there is no reason why we can't turn auto production to the manufacturing of war materials. If we had 25,000,000 airplanes—and an airplane isn't much harder than an automobile to manufacture—we could just say, "Let's have peace!" and we'd have peace all over the world.

MR. JACOBY: In other words, Munger, not only do we have the basic natural resources, with the few exceptions that Palmer has noted, but we do have the industrial plant and the equipment to turn out armament. We probably have, for example, at least three-quarters of the world's total automobile-production capacity, and about three-quarters of the world's tractor and farm-implement capacity.

MR. MUNGER: That or more.

MR. PALMER: We have only 5 per cent of the world's population.

MR. JACOBY: That, of course, is a more serious matter, it seems to me. When we consider the question of man power, it is true that we have only about as much man power as Japan or Germany, considered singly.

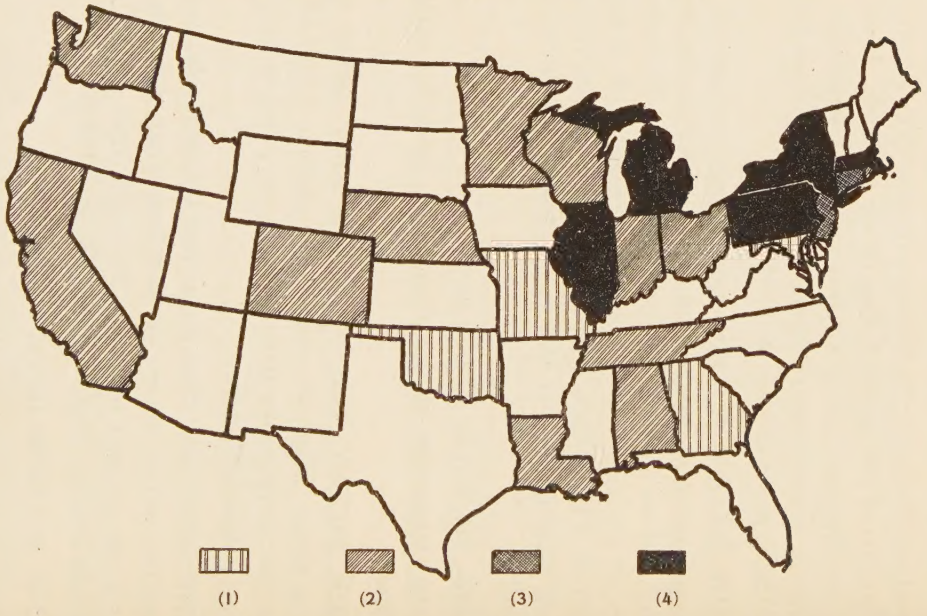
MR. MUNGER: That is true, and, unfortunately, they are prepared beyond our dreams. We have been asleep, and even now that war is here we can't believe it. The *Daily News Almanac* gave the German army at 6,700,000 before the war started.

MR. PALMER: How about Japan?

MR. MUNGER: Six million, and *we* have, perhaps, 500,000 in the combined National Guard and regular army.

MR. JACOBY: But we need not feel too disturbed, it seems to me, if we whip this problem of organization. We have about 45,000,000

GEOGRAPHICAL DISTRIBUTION OF EDUCATIONAL ARMAMENT ORDERS: 1940



(1) Less than $100,000 (2) $100,000 to $500,000 (3) $500,000 to $1,000,000 (4) More than $1,000,000

gainfully employed people. If that were all we had the situation would indeed be serious, but there are about 10,000,000 additional persons who are employable but unemployed.[5] If we can put them to work, that will make a great deal of difference in our production.

MR. MUNGER: Incidentally, we will need more goods and industry will absorb the unemployed very easily. We won't put them in the army but we will put them into industrial plants. I think our army itself will probably be much better if built up on a citizen basis, part time.

MR. JACOBY: How about the question of organization?

MR. PALMER: Well, of course, the War Industries Board in the last war was originally put together, as I recall, in July, 1917, and finally reorganized in March, 1918.[6] Prior to putting together the reorganized Board, they had a Council for the Munitions Standards Board whose job was to establish standards. Then they had another council, known as the Munitions of War Council. That group was buying munitions and war supplies and arranging for plants.

MR. JACOBY: But it wasn't until quite a few months after we had actually entered the war that we put the War Industries Board under the control of a single man.

MR. MUNGER: And it didn't get results then, did it, Palmer?

MR. PALMER: No! What we need today is one man who is an outstanding industrialist to head up this program.

MR. MUNGER: Wait a minute! Do we need one man, or do we need a lot of men for a lot of one-man jobs? After all, it wasn't

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[5] *A recent Social Security Board survey showed about 5,000,000 active job seekers registered with various employment offices. Of these, 1,500,000 were technicians—skilled or semi-skilled craftsmen.*

[6] *Bernard Baruch was appointed chairman.*

a one-man control; it was the committee system all the way through the last war.

MR. PALMER: The committee system was used, but with one man at the head.

MR. MUNGER: Shouldn't we get away from the committee system and have a lot of individuals getting things done?

MR. PALMER: I still think that, the same as in a corporation, you must have a leader.

MR. JACOBY: What is that maxim of military action, Munger?—"Committees for counsel and single authority for action"?

MR. PALMER: That's right.

MR. MUNGER: I don't know a thing about the production here. I'm only quoting General Dawes, who had to buy most of the stuff in France that we didn't make.

MR. PALMER: I think if we get an outstanding industrialist at the head of this board he will have the interests of business as well as of the people at heart, and I think they can do the job through a minimum of regulation, which is important to business today.

MR. JACOBY: But there should be one man heading it?

MR. PALMER: That's right! And with a minimum of regulation we can still have a maximum of control.

MR. JACOBY: It would seem, then, that our present Council of National Defense, with seven members and with relatively little power assigned to it directly, is not yet the best form of organization to meet the problem of American armament.[7]

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[7] *The Advisory Commission to the Council of National Defense was appointed May 29, 1940, and includes Chester C. Davis (agriculture), Harriet Elliott (consumer protection), William S. Knudsen (industrial production), Edward R. Stettinius, Jr. (raw materials), Ralph Budd (transportation), Leon Henderson (price stabilization), Sidney Hillman (labor), and William McReynolds (secretary).*

MR. MUNGER: I'm willing to leave that to the technical experts.

MR. PALMER: Of course, you must remember that the factories of any warring nation must be put into the first-line trenches when we start in on any war.

MR. JACOBY: They must be if we are to function effectively. The next problem, as I see it, is what defense we now have. Let's look at that problem in terms of what we need. We now have a regular army of about 240,000, I believe.

MR. MUNGER: Yes, 242,000. We are going to raise that, of course; almost double it. We'll have to. Those figures are, most of them, before France collapsed. We have seen daylight since then.

MR. JACOBY: If we have a regular army of, say, 500,000 men, we certainly would need to supplement that with the National Guard.

MR. MUNGER: We should have a National Guard beyond all present dreams. We haven't seen what is possible in the way of citizen soldiery.

MR. PALMER: How many would you have in this National Guard?

MR. MUNGER: At least 3,000,000 as a starter. Take the comparison of Switzerland: the Swiss are a successful country; they are a wealthy country; it hasn't bogged them down with toil. They are getting along pretty well.

MR. JACOBY: Their per capita wealth is the highest in the world.

MR. MUNGER: Yes, $3,000 per capita is very high, and yet the Swiss give time to military service. If we had the same relative strength we would have about 220,000 in the National Guard here in Chicago.

MR. JACOBY: And we have, I think, only about 13,000 in our whole Illinois State National Guard. The next question is, how would you equip these men? I understand that we have now only about one and a half mechanized divisions in our army.

MR. MUNGER: Unfortunately, less than that. We have about a half mechanized division. We have *one* cracking good mechanized brigade.

MR. PALMER: How about airplanes? I understand we have about 5,000, and, of course, the President wants 50,000.

MR. MUNGER: Yes, he wants 50,000—and why stop at that? The airplane industry has never yet gone on a quantity production basis, and that is where this country really excells.

MR. PALMER: Because we are not producing planes in quantity the cost is double what it should be.

MR. JACOBY: We have now, as I understand, almost 500 serviceable tanks. Germany, from recent press reports—and, of course, they must be crude estimates—must have about 10,000 tanks in the field.

MR. MUNGER: They are not giving us information on that, but we do know from their tables of organization that they have 800 tanks per tank regiment. How many regiments they have we don't know.

ANTI-TANK GUN STRENGTH

MR. JACOBY: And another necessary item is field artillery. have now, I understand, only about 300 field pieces, and about anti-tank guns.

MR. MUNGER: And, of course, that is just a drop in the ket. I think we have more anti-tank guns than that, but there in we need production capacity. Arms have to become a major ustry. We've got to face that, and we've got to pay what it ts. We can't get along with less.

MR. PALMER: That's why it's important that the government uld soon start placing large-quantity orders. For example, we y have 40,000 automatic rifles, I believe. How many should we ve?

MR. MUNGER: I'm not going to worry about the automatic es, particularly. That is a grand talking point, but as a matter of t, I guarantee to win a war without them if necessary. It's very ful because, having an automatic rifle, you don't have to have so ny men in the firing line and they don't get hurt; but the auto- tic rifle isn't really the key weapon.

MR. JACOBY: Then there is the matter of battleships. We ve now a navy of about 369 warships. Admiral Stark recently oposed that we have a two-ocean navy, which would practically uble that number.[8]

[8] *On June 18 Admiral Harold R. Stark, chief of naval operations, ged before the Naval Affairs Committee of the House of Representa-*

MR. MUNGER: We've got to have one.

MR. JACOBY: And battleships can't be appropriated. They take a long time to build.

MR. MUNGER: Yes, and if we are going to avoid a lot of errors in building we've got to take time to build up shipyards. You can't do that overnight.

MR. JACOBY: You told me an interesting fact an hour or so ago about your experience at one of the shipyards.

MR. MUNGER: When I was down at the launching of the *S.S. America*—that is our biggest passenger liner, built by the Newport News Shipbuilding Company at Newport News—I happened to be aboard for its trial run. We took it out on the ocean and ran it around in a circle to test its gear, etc. They told me that it took 600 draftsmen four months just to make the blueprints.

MR. JACOBY: And I presume it takes a good deal longer to make the blueprints for a battleship, which is a much more complex mechanism, wouldn't you say?

MR. PALMER: That's right! There's a good bit of detail to a battleship. The president of my company has been closely associ-

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tives the adoption of a naval building program which would provide, by 1946, a navy of some 750 fighting ships with a total tonnage of 3,760,000 at a cost of four billion dollars. The program, as outlined by Admiral Stark, would involve an increase of some 70 per cent in America's naval forces.

d with the shipbuilding business for a number of years. I've en heard him comment about the great amount of red tape and time it takes to really make progress.

One subject that I am tremendously interested in, Colonel Munger, is anti-aircraft guns. I live in metropolitan New York a few ories up from the ground, and I am quite concerned about the ssibility of some bombing machines getting into our nation and veling off our buildings.

MR. JACOBY: I can imagine you would be.

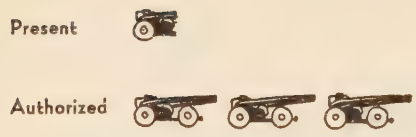
MR. MUNGER: I think you are apprehensive in the wrong ot. A real air force isn't going to waste its time on civilian office ildings. You are more likely to have New York sacked and the hole country ravaged before individual homes are smacked down.

MR. JACOBY: But at least the 500 anti-aircraft guns we are pposed to have today are insufficient.

MR. MUNGER: They are insufficient. We need at least 5,000.

MR. JACOBY: What are the principle changes in the modern rms requirements that you would say have been reflected in re- ent warfare?

MR. MUNGER: There are some terrific changes that make reparation vital. In principle, the changes are that now you can hoot around the corner, that now the attacker has the advantage, and that now the air armed service must be considered as far as air attack is concerned. Those changes affect the whole tempo.



MR. PALMER: Aren't many American mothers quite worried about their sons charging into a machine-gun nest?

MR. MUNGER: That's true, but it never was done as shown in the movies. The old tactics used to be that you shot at the other fellow and he shot at you, and the fellow crouched down and kept his head down, and by and by you moved up on him. You don't do that any more. You lob over with these mechanized units and blast them out. The advance guard of the German spearhead in Poland dropped 300 shells a minute from one of their advance guard units.

MR. JACOBY: In other words, what modern warfare requires is a great deal of equipment per man. Speed seems to be the prime requisite. I suppose nobody now knows what this armament is going to cost.

MR. PALMER: Nobody knows how much money it will cost. Germany is supposed to have expended $19,000,000,000 in the last five years on armament, as compared with about $11,000,000,000 for France and Great Britain combined. I understand those are reported figures. How accurate they are, we don't know.[9]

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[9] *The "Business Bulletin" of the Cleveland Trust Company has estimated the total armament expenditures of major powers for the five-year period, 1935 through 1939, as follows:*

Germany	*$19,000,000,000*	*Japan*	*$5,100,000,000*
Russia	*13,500,000,000*	*France*	*4,900,000,000*
Great Britain	*6,200,000,000*	*Italy*	*3,700,000,000*
U.S.A.	*5,100,000,000*	*Fifty-three other nations*	*8,400,000,000*

MR. JACOBY: At least it makes the $5,500,000,000 that we have appropriated this year look small by comparison.

MR. MUNGER: Yes, that's true. Even more important, we've got to make arms production a major industry, whether we like it or not. I haven't emphasized enough the changes that have occurred in warfare to give the advantage to the attacker. In the World War you got behind barbed wire with machine guns and the attacker lost men—lost heavily. Now that is changed. With tanks, with low-flying aircraft, with Panzer divisions of armored cars, you smash through without exposing your men in that way. The result is that the defense is more or less helpless. You have got to have mechanized weapons to defend yourself or you are overrun before you can catch your breath.[10]

MR. JACOBY: That means, then, that the American mothers Palmer was referring to are going to feel a lot better when we do get these mechanized arms that are required. That raises the question of what "bottlenecks" actually are now present in our industrial machine. We have heard a good deal about the machine-tool industry and the skilled metal-working trades. Palmer, is there a real "bottleneck" in that sphere?

MR. PALMER: Yes, there is. Yet there is no question but that private industry can do the job if given the opportunity to remove

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[10] *The German Panzer division (as analyzed by Lieutenant-Colonel Andrew T. McAnsh) is a heavy mechanized force approximately 4,000 men strong, with 3,000 motor vehicles of all types, divided into three echelons:*

a) A motorized reconnaissance battalion with fifty armored cars, a motorcycle infantry company, and supporting weapons.

b) A tank brigade of some 450 tanks.

c) A motorized infantry brigade with two motorized infantry battalions in armored cars, one motorcycle battalion, one medium howitzer artillery regiment, and supporting engineer sections, anti-tank units, and signal troops.

some of these government restraints. Along with armament they can promote recovery by putting a larger number of men back to work. This nation has a great amount of engineering and managerial talent in most of the plants that do the rearming jobs, but for various reasons—with which you no doubt are familiar, Colonel Munger—we have been handicapped.

MR. JACOBY: What are some of those handicaps, specifically?

MR. PALMER: There is a lack of plant capacity, particularly in high-precision machine work which is badly needed in making instruments, and the government's specifications really are exceptionally rigid. And further than that, they should be framed on such a basis that they would be consistent with the intended purpose, because today you get certain jobs to do and the results are very expensive and it takes a lot of time.

MR. JACOBY: Isn't part of that expense you speak about the result of some unwise labor legislation that we have seen passed in the last few years?

MR. PALMER: There's a whole lot of that.

MR. JACOBY: I feel that President Roosevelt was not quite accurate when he said that we could arm, and arm adequately and quickly, and still maintain all of this legislation that he called "social gains"; but which I think, in part, are really "social losses."

MR. MUNGER: Yes, Jacoby, I think you are right. But we've got to divide this thing into two pieces. First is the question of expense. We can't consider it. We want to get this done as cheaply as we can, but, after all, a human life is worth $25,000 to a man's country.

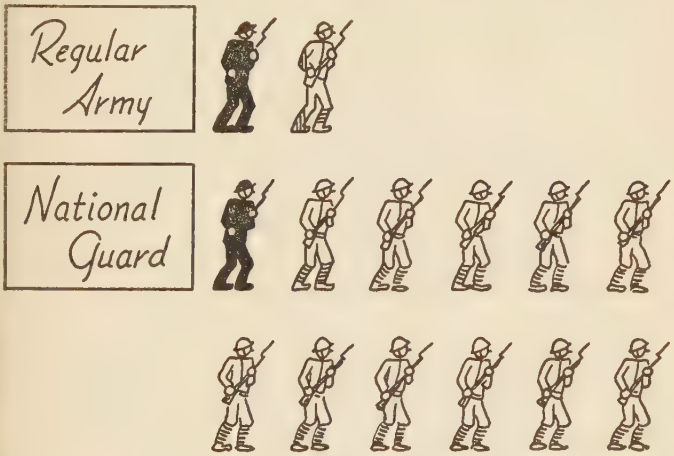
MR. JACOBY: Very true!

MR. MUNGER: That is a fair figure that any economist will agree on.

STRENGTHENING MAN POWER

■ PRESENT ||| AUTHORIZED □ PROPOSED

(Note: A 6,000 increase in the National Guard has been authorized)



EACH COMPLETE SYMBOL EQUALS 50,000

MR. JACOBY: And a bullet costs about a nickel.

MR. MUNGER: You don't want to expose your man power without proper mechanization when you can get mechanization. Any cost is cheap at the price. What would France give today, looking back, to have had adequate preparation!

MR. JACOBY: But, Munger, the costs I am speaking of are not the dollars we are going to have to spend. That doesn't worry me. It is the high manufacturer's costs that prevent manufacturers from actually converting their plant and getting into production rapidly.

MR. MUNGER: No, the second phase there—aside from your direct cost—is the question of social benefits from idleness. I think they are social losses. So much of our legislation has been, apparently, intended to reduce the total output per man, and to shorten

the hours. We can't get anywhere with that. There is no object in shortening hours unless you have something you want to do.

MR. JACOBY: I agree with you. We are going to have to modify our wages and hours legislation; we are going to have to modify our National Labor Relations Board legislation.[11] I think we are going to have to require labor unions to modify their entrance requirements so as to permit the taking on of new apprentices. After all, with about four million young men between the ages of 16 and 24 looking for work today, it would seem that we cannot tolerate any kind of union entrance requirement which prevents them from actually being taken on in the metal-working trades and the other key industries. Wouldn't you agree, Palmer?

MR. PALMER: That's right! Take, for instance, France. They found their greatest failure was in their persistently low level of production; that they had cut down working hours during the Blum regime to about five days, I believe, and they were working shorter and shorter hours all the time.[12]

MR. MUNGER: And the manufacturers had no confidence, then.

MR. PALMER: And, of course, that has been the policy of this country since 1933.

MR. MUNGER: I don't want to invade your field, Palmer. I

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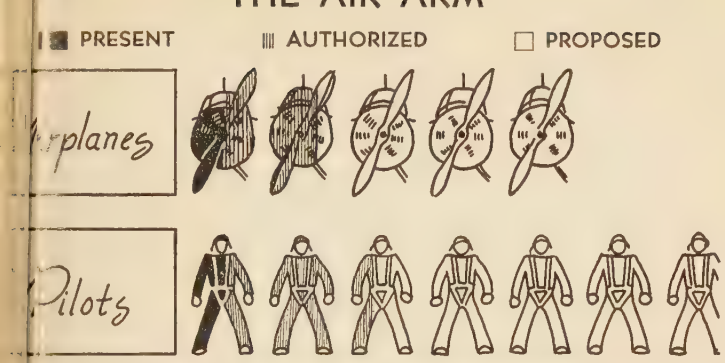
[11] *The wage-hour legislation sets a minimum of thirty cents per hour in most industries with the maximum work week (except for certain special exemptions and overtime provisions) established at forty-two hours. The Wagner Act established the National Labor Relations Board to ensure workers the right to "collective bargaining through representatives of their own choosing."*

[12] *That is, from 1936 to 1937. Working hours were later lengthened and during the period following the outbreak of war were reported in some industries to be as high as seventy and eighty hours per week.*



to be talking more as an economist than as a lieutenant-colonel rom the economic angle, our great error has been in failing to the question of cooperation between capital and labor. The r ought to have a share in industry. I hope to see him a capi- ; I hope to see him own a large part of industry.

R. JACOBY: But, gentlemen, in discussing this question of ica's capacity to rearm, let's be specific. How would we speed e program at this particular stage?

R. PALMER: I think the primary problem is for the govern- to place large orders so that we can get mass production.

R. JACOBY: That is, by anticipating their requirements of materials far into the future.

R. PALMER: I think they know pretty well down in Wash- n what they want now.

R. JACOBY: What is the advantage of placing a large order?

R. PALMER: We can go ahead and produce large quantities ad of facing the expense of tearing down machines and setting n up again.

MR. JACOBY: And it enables the manufacturer to expand plant, I suppose, without risk.

MR. PALMER: Absolutely!

MR. JACOBY: What else can we do?

MR. MUNGER: The first thing we've got to do is to increa our National Guard hugely, and that ought to be done just as rap ly as it can be recruited with proper incentive. We've got to provi I think, for some means of guaranteeing support to a man's fam while he is with the "colors" so that the man with dependents c properly join the National Guard. In other words, he's got to assured that his family will be protected while he is at the fro This isn't a kid's war; this is going to be a war of mature men, wi judgment, who can be trusted not to squib away his ammunition. soldier can shoot away all he can carry in about seven minut We've got to have serious men who can handle machinery, and should have a National Guard of about three million men.

MR. JACOBY: And I'd like to stress again that we must mo fy some of these cobwebs and restrictive labor acts that we ha passed in the past few years in order that we can provide an ince tive for manufacturers to proceed under business methods to pr duce rapidly. What's more, certain of these "bottleneck" trades such as the machine-tool industry—must not be handicapped in ou put by having their workers limited to working a certain number hours per week.

MR. PALMER: When a firm gets an order today from the go ernment it is generally published in the press and within a few da you generally have some of the union people coming to you and as ing for higher wages before the ink is even dry on the order. It m even be on the drawing board, but still they are beginning to anti pate greater profits for the corporation and they want their cut i mediately.

R. JACOBY: One misconception that I think is very wide-
d now is that our armament effort is going to reduce our stand-
l living. People are thinking in terms of high taxes, in terms of
r hours of work, and of material sacrifice for everyone.

R. MUNGER: We will have to work a little harder, but if we
get rid of the bogey of unemployment, if we can turn our ener-
to producing goods, we need not necessarily have a lower stand-
of living.

R. JACOBY: I agree with you wholly, Munger. After all, we
have about forty-five million employed persons. We have about
million unemployed persons who are employable. If we could
loy those people, we could raise our national income from the
ent level of about $75 billion to, say, $95 billion, which means
we could spend $10 billion or $15 billion a year on armament
still be better off in terms of consumption goods than we are
.

R. MUNGER: Yes, and I'm not at all afraid of giving labor
g chunk of the profits, either. I'd like to take a little issue with
mer there. I don't like this collective bargaining much, because
ways takes the form of threatening to shut down production and
doesn't get anywhere. I'd like to see more individual rise in
sperity on the part of the workman. I'd like to see him own more
he plant, more of the business, more of the securities.

MR. JACOBY: What profits do you think, Palmer, as a manu-
turer of aircraft parts, are necessary in order to induce manufac-
ers to produce at the most rapid feasible rate?

MR. PALMER: They should be at least from 8 to 12 per cent
n average of 10 per cent. One thing we can't overlook is the fact
t our national income is our national production, and nothing
e.

MR. MUNGER: That is true!

MR. JACOBY: Now if we have, then, an opportunity at th present time to sweep out some of these restrictions—both impose by labor unions and imposed under national legislation—it woul seem that we can in fact rearm, and rearm as rapidly as is reall feasible, without reducing our standard of living.

MR. MUNGER: It may be a good thing to slacken our whol economic system. After all, there is no theoretical limit to the num ber of jobs. We have been going on the lazy theory that you have t have men unemployed. You don't have to! We can consume all w can produce. It's just a matter of price adjustments.

MR. PALMER: I think that on the ability of industry and gov ernment to cooperate effectively in the current crisis may depen the whole course of government and industry relations in the future

MR. MUNGER: That is very true. It's time to do it, an we've got to do a job!

MR. JACOBY: And I think a good place to begin is to compe some of these key industries to take on new apprentices now. might say, Munger, that recently a survey was made by the Socia Security Board and they found that we have at the present tim about fifty thousand unemployed members of the metal workin industries; that is, crafts that can make machine tools.

MR. MUNGER: Well, the first thing we want to do is to break up the "bottleneck" that makes a man afraid for his job. We aren't going to get anywhere forcing apprentices on industry that is al ready in fear that some day they may have a surplus of workers. We've got to break up the old bogey that there is just so much work to be done. There is no limit to it. Every economist knows that.

MR. PALMER: Well, there is a shortage of skilled men. I know that in New York we hear of men going from one plant to another; in fact, they have even advertised over the radio urging men to quit their jobs and come to other plants.

R. JACOBY: Well, gentlemen, democracy faces its greatest k today. Our American problem, stripped to its essentials, is to ...hal and direct our man power, our inventive genius, and our in...rial talent to the end that our country, while remaining free, can ...h the robust might of a totalitarian state. That means that we ... rearm mentally and spiritually as well as materially.

R. MUNGER: Yes, we have got to get back to the principle ...crifice and consideration for the other fellow. We've got to get ...f a little of this selfishness and squabbling for individual ad...age in favor of the advantage of the whole country.

R. JACOBY: And business enterprise, too, as well as labor ... government, must realize *now* that the safety of the nation is ...mount and that we will stand or fall together.

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APPENDIX: RAW MATERIALS

On January 30, 1940, the Army and Navy Munitions Board ap proved the following definitions and lists of strategic and critic materials.

Strategic materials: Strategic materials are those essential to na tional defense, for the supply of which in war dependence must b placed in whole, or in substantial part, on sources outside the conti nental limits of the United States; and for which strict conservatio and distribution control measures will be necessary.

Critical materials: Critical materials are those essential to nationa defense, the procurement problems of which in war would be les difficult than those of strategic materials either because they have a lesser degree of essentiality or are obtainable in more adequat quantities from domestic sources; and for which some degree of con servation and distribution control will be necessary.

STRATEGIC MATERIALS

Antimony, chromium, coconut shell char (for gas masks), man ganese (ferrograde), Manila fiber, mercury (quicksilver), mica nickel, quartz crystal, quinine, rubber, silk, tin, tungsten.

CRITICAL MATERIALS

Aluminum, asbestos, cork, graphite, hides, iodine, kapok, opium optical glass, phenol, platinum, tanning materials, toluol, vanadium wool.

SUGGESTED READINGS

ENE, LEON M., "M-Day and the Business Man," *Harper's*, July, 940. *This study of what may happen to business and to the average men if America enters a war is valuable in analyzing the present ility and needs of America in the present armament campaign.*

NY, BROOKS, *The Strategy of Raw Materials.* New York: The acmillan Company, 1938. *A broad study of the self-sufficiency the United States in essential foodstuffs and industrial raw materials, with comparative figures for other great powers.*

onal Defense. New York: The New York Times Company, 940. *A series of editorials published in May of this year in the Times," dealing with aspects of defense problems.*

HTER, SUMNER H., "Paying for Armaments," *Atlantic*, July, 940. *The problem of national armament in terms of workers, plant, and methods of paying for a vastly increased load of arms and munitions, both for construction and for upkeep.*

e Business Side of National Defense," *Business Week*, June 8, 940. *One in a series of reports to business executives, this article summarizes the position of business in the armament drive, and points out what businessmen may expect to get from armament orders.*

Structure of the American Economy. Washington: United tates Government Printing Office, 1939. Part I: *Basic Characteristics. A report of the National Resources Committee describing the status of resources, production, and economic activity, presenting a general picture of the American industrial system.*

BIN, HAROLD J., and BIDWELL, PERCY W., *Mobilizing Civilian America.* New York: Council on Foreign Relations, 1940. *The results of a two-year study of the techniques of industrial and civilian mobilization, tracing their development from 1914 to 1939.*

QUESTIONS FOR ANALYSIS AND DISCUSSION

The following questions of wider scope, intended for discussion, c suggested by the broadcast, and answers may be found in the literatu on the subject listed in the section "Suggested Readings," found page 25.

*

1. Analyze the strength of the United States in terms of raw mat rials, industrial plant and equipment, man power, and organiz tion as far as the needs of national armament are concerned. I what particular fields do our strength and weakness lie?
2. Time has been called the vitally essential factor in modern wa How much time do you believe will be needed to raise the arm navy, and attached air forces to a strength adequate for the d fense of the Western Hemisphere?
3. Summarize the equipment of our armed forces today and set ou what you feel should be the equipment needed for the defense c the Western Hemisphere anticipated in question 2.
4. Germany, England, and France have spent many billions of do lars on armament in the past few years. What per cent of th national income do you believe should be spent on armaments What per cent will be allotted for that purpose under presen plans? Discuss.
5. Do you believe the expenditure of this sum of money (as state in question 4) will necessarily lower the American standard o living, since the goods produced in armament factories cannot b consumed by the general population? Explain why you think a large armament expenditure will or will not reduce our standar of living.
6. How would you act to eliminate "bottlenecks" in the production of arms and to speed up the process of national armament?

OBJECTIVE QUESTIONS FOR EXAMINATION

The answers to the following questions may be found in the text of the broadcast, and page references are provided to assist in locating the answers.

*

1. What are the four factors listed as the basic problems of rapid armament? Page 4.
2. List some of the raw materials of war of which the United States has a sufficient domestic supply. Page 4.
3. Name three war essentials which the United States lacks. Page 4.
4. What is America's share of the world's productive capacity for automobiles, tractors, and farm-implement machinery? How does this compare with America's share of the world's population? Page 5.
5. What are the approximate figures of employment and unemployment in the United States? Page 6.
6. The regular army of the United States now includes how many officers and men? Page 9.
7. The proposal of Admiral Stark would increase our naval forces by what percentage? Page 11.
8. Compare the figure of arms expenses in England and France in the past five years with those of Germany. Page 14.
9. What two pieces of New Deal social legislation should be modified to ensure rapid armament, according to Professor Jacoby? Page 18.
10. What is suggested as the proper profit incentive for industry engaged in armament production? Page 21.

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103. *Economic Issue and 1940*
104. *Is America's Economic Frontier Closed?*
105. *Must the World Unite?*
106. *Can We Protect America?*
107. *The Census*
108. *The Archbishops Look at America*
109. *Scandinavia on the Spot*
110. *Third Term?*
111. *Where's that War Boom?*
112. *The Trojan Horse*
113. *Blitzkrieg, May, 1940*
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Allentown, Pa.	WSAN	1440	Jacksonville, Fla.	WJAX	900
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